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# *Centre for Indigenous Governance and Development*



## **Participation in Practice:**

Participation, Consensus and Cooperation  
in the Achievement of Economic Reform  
in the Cook Islands.

Manuhuia Barcham



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## **Abstract**

Like many other South Pacific countries the Cook Islands underwent a period of enforced restructuring in the mid-1990s. Yet, unlike many other South Pacific countries, the Cook Islands achieved a considerable degree of success. Field research shows that the success of the reform program in the Cook Islands depended not so much on the actual reform program itself as it did on the way in which reform process unfolded. Given the recent movement by the World Bank towards more participatory approaches to country-level development planning and reform, it seems an opportune time to explore how participatory approaches can actually lead to successful reform outcomes at the country-level. The key to the success of the economic reform program in the Cook Islands can be traced back to three inter-related factors: participation, consensus and cooperation. Combined, all three factors help create a virtuous circle which acted to positively reinforce the ongoing planning and implementation of a reform program. The paper ends by arguing that the key to the success of the Cook Islands reform program was its ongoing participatory nature in both the planning and implementation stage. The World Bank and other multi-lateral institutions would do well to take this lesson onboard.

# Introduction<sup>1</sup>

In June 2004 the World Bank replaced adjustment lending with development policy lending. The key effect of this change is, in the words of James Adams, Vice-President and Head of the Operations Policy and Country Services Network of the World Bank, the World Bank now aims “to see governments working with civil society and other actors in the development front in putting together policies”. (World Bank 2004) That is, the World Bank is seeking to make development planning at the national level more participatory.

While it has long been accepted that participation is an important part of development planning and implementation – both in terms of its effectiveness in achieving sustainable development as well as its intrinsic value as a goal of development in and of itself (Stiglitz 2002) – it has generally been seen as a method more suited to local level processes. Emerging out of an eight year consultation process the World Bank’s recent move away from adjustment lending and towards development policy lending represents a sea change in international approaches to national-level development planning. It signals the recognition of the World Bank that participatory approaches are an important part of developmental planning and implementation at all levels – from the local through to the national.

Yet to what extent will this widening of participatory development planning lead to more successful developmental outcomes? Using the example of the reform process in the Cook Islands, this paper argues that while participation could well increase the chances of success of national reform programs this participation should not just be limited to the initial consultation phase but should continue in a reflexive and iterative manner throughout the duration of the actual reform process. While participation at the planning level should help bring about successful developmental outcomes, the example of the Cook Islands shows that an ongoing process of participation throughout the entirety of the reform process can also contribute to the success of the reform program.

While the Cook Islands underwent a period of enforced restructuring in the mid-1990s, unlike many other South Pacific countries, the Cook Islands was able to achieve a considerable degree of success in the achievement of the majority of the reform objectives that the restructuring enterprise entailed.<sup>2</sup> In light of this, the question that begs to be asked is why was the reform process in the Cook Islands so successful?<sup>3</sup> The key to the success of the economic reform program

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<sup>1</sup> Thanks to Bethan Greener-Barcham and Francis Hutchinson for comments on earlier drafts of this paper. As usual, fault for all remaining errors and omissions remain with the author.

<sup>2</sup> Unless otherwise noted, the reform program referred to during the course of the paper is ADB Loan No. 1466-COO[SF]: *Economic Restructuring Program*.

<sup>3</sup> While the Cook Islands has recently undergone one of the most successful periods of reform in the Pacific Basin the only two pieces of serious analysis of these reforms to have emerged so far, apart from the program completion reports of the ADB, are a piece published by Colin Mellor in the *Pacific Economic Bulletin* in 1997 and a review by Bruce Knapman and Cedric Saldanha of the reform programs implemented in the Pacific by the Asian Development Bank in the 1995-1998 period – which includes a chapter on the Cooks. While both these pieces are informative they do not go into any real analysis of the various

can, I will argue, be traced back to three inter-related factors. First the reform process was highly participatory, right from its very inception. Second, this high degree of participation then allowed a high degree of consensus to emerge amongst the wider Cook Islands society concerning both the need for reform and in respect to the way in which the reform process itself would be carried out. Third, and finally, this high degree of consensus amongst Cook Islands society meant that a high level of constructive cooperation was able to be achieved between the various sections of Cook Islands society in the implementation of the reform programs objectives.

The success of the reform program in the Cook Islands thus depended not so much on the actual reform program itself as it did on the way in which the reform process unfolded. However, despite this success little has been written about the reform process in the Cook Islands. In light of this, the paper has two interrelated aims: firstly, to describe the reform process itself and secondly, and most importantly, to show how participation, cooperation and consultation throughout the reform process were key factors in the eventual success of the reform program.

This paper begins by exploring the recent move by the World Bank towards more comprehensive participatory developmental planning at the national level. The paper then assesses the particular case of the Cook Islands. The background to the formulation of the reform program and the implementation of the two phases of the reform period are explored in detail. As the article will show, the very creation of the Cook Island reform program itself was dependent upon a high degree of participation and involvement by Cook Island society. In addition, the article will also show that subsequent restructuring and reform efforts also entailed large scale and comprehensive efforts to ensure the ongoing participation of wider Cook Island society –and this is the most valuable of the lessons to be learnt from the Cook Islands experience.

## **Participation and Successful Reform**

While structural adjustment and economic reform programs are designed to provide the correct institutional context for economic development, this process is complicated by the fact that in most cases the economic reforms characteristic of these adjustment packages mean that severe social costs are imposed early on in the process with few, if any, immediate accompanying benefits. The success of structural adjustment and other types of reform programs can therefore be seen to be dependent upon the ability of the state to not only implement, but also to maintain the impetus of the reform objectives. As has been amply demonstrated, problems can ensue when the state has only a low ability to perform these functions. (Corkery 1997)

However, as work in the last twenty years has shown, these problems of low state capacity can be overcome if governments are able to acquire the support of wider society. (Evans 1995, 1997; Haggard and Kaufman 1992: 20, 1992a: 8) The existence of diverse and multitudinous networks of support for the state within society can thus play a crucial part in the success of programs of reform due to the ability of these ties to effectively enhance the capacity of the state. Whether discussed in terms of notions of 'embedded autonomy' or 'state-society

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processes underlying the success of the reform process, focusing instead on a more utilitarian analysis of the reform outcomes.

interactions' or some other variant on this theme, the key point to be derived from these analyses is that the success or failure of the reform process in developing regions of the world can be seen to be heavily dependent upon the nature of the linkages between domestic political and social institutions. (Perkins and Roemer 1993: 7-8) One factor, however, which has been under-analysed in these studies is the question of how these linkages are created – besides that is, through the conscious effort of the state (or of donors – but that raises further questions about the concept of ownership and of the sustainability of reform)? And, once these linkages are created, the question remains as to how they are then maintained? The answer, I would argue, lies in a participatory approach to development planning and reform.

## **Participation and Development**

Over the last twenty years a massive literature has emerged exploring the effect of participation on development planning and implementation. As a result of this 'participatory turn', it is now widely accepted that participation can function as a key factor in the achievement of robust and sustainable developmental outcomes. (Isham et al 1995, Isham et al 1997) The key reason behind the effectiveness of participatory approaches appears to lie in its relationship to the issue of ownership. Simply put, participation leads to increased levels of ownership. The World Bank thus found that "even modest participation brought about improvements...and increased the participants' sense of ownership." (World Bank 2001: 3)

In exploring this claim, that increased levels of ownership lead to successful development outcomes, the World Bank has argued that:

development experience has shown that when external experts *alone* acquire, analyse, and process information and then present this information in reports, social change does not usually take place; whereas the kind of 'social learning' that stakeholders generate and internalise during the participatory planning and/or implementation of a development activity *does* enable social change. (World Bank 1996: 5)

Participatory planning and implementation thus helps local stakeholders develop a sense of ownership of a project or reform program, which then in turn reduces risk and resistance to change. (Stiglitz 2002: 168) Ownership is important as "when there is a perception that the reforms were imposed from outside, the reforms themselves become the subject of political debate, lessening their sustainability." (Stiglitz 2002: 171) Ownership, as a consequence of participation, can then lead to a process of consensus-building. (Stiglitz 2002: 171) And consensus then helps to further legitimate a program of reform, creating a virtuous circle which helps drive along the reform process by fostering an environment conducive to cooperative action. As the next section will show, it was precisely this type of participatory planning and implementation process that helped bring about the success of the Cook Islands reform program.

## **Reform in the Cook Islands**

In the wake of a severe financial crisis the Cook Island government presented an emergency report to bilateral and multilateral aid donors at an ADB Consultative Group Meeting in Suva in early 1996 outlining a possible reform agenda in order to fast track the release of the TA (technical assistance) loan. This initial plan was



then to be further developed in order to produce a comprehensive program of reform. However, before this new plan was presented to the ADB a number of national retreats – comprising representatives from the government, public service, private sector and the wider Cook Islands community – were held throughout the month of March on the main island of Rarotonga in order to discuss the possibilities for reform.<sup>4</sup> Highly participatory in nature, specific recommendations made at these retreats were then used as the basis for the creation of a document which encapsulated the steps that the people of the Cook Islands felt were necessary for the achievement of successful reforms. Presented to the ADB and other donors in Suva in March, the 'Path to Recovery' – as the Cook Islands' document came to be known – then played a key role in the construction of the final reform program agreed to by the ADB and other key donors. The participatory nature of the drafting of the reform agenda in light of the recommendations made in the 'Path to Recovery' document achieved two clear goals, these being: first, the provision of a clear and coherent context specific framework of the changes needed to ensure that the Cook Islands was able to undergo a successful period of reform, and secondly, and probably more importantly to the later success of the reform program, it created a plan of action that was right from its very inception endowed with a high degree of "ownership" by the various aspects of Cook Islands society.

Based on three key objectives, the Economic Restructuring Program (ERP) agreed to by the ADB and the Cook Islands government sought to radically alter the role of government in the Cook Islands economy, in aiming to: achieve and maintain macroeconomic stability; promote private sector-led growth and develop strategies to alleviate social hardships and minimise economic restructuring risks, especially for at risk groups such as the elderly. (ADB 1996: 7) The Economic Reform Program (ERP) thus basically sought to facilitate the transition of the Cook Islands economy from one in which the public sector was dominant, productivity was low and market signals were weak, to one which was led by a competitive and growth-orientated private sector. (ADB 1996: 6) In light of these goals, priority in the ERP was given to the reduction of the number of public service employees with the overriding goal being the creation of a more efficient and effective Public Sector with clearly defined goals and objectives. One point that was to play a major part in the success of the reform, program, however was the explicit concern right from the start that a real effort be made to limit the possible negative social effects that the reform process would incur. This concern, and the participatory process which surrounded the construction of the reform program itself, thus helped to foster a strong sense of consensus and cooperation in the initiation and implementation of the nascent program of reform.

### **The Initiation of the Reform Process: Public Sector Restructuring**

The severity of the financial crisis that the Cook Islands government found itself facing in March 1996 meant that the actual initiation of the stabilisation section of the reform program actually pre-dated the creation of the ERP. In an attempt to stabilise their steadily deteriorating fiscal position the Cook Island government had already engaged on a number of fiscal cut-backs, some of which, such as the closing of the majority of the country's consulates, have already been noted.

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<sup>4</sup> This involvement was widely lauded by the Donor community as a welcome initiative, both in mediating the adverse social impact of the reforms and in creating a high degree of ownership of the reform process by the Cook Islands population.

However, in the wake of the growing fiscal crisis and, in an attempt to further reduce fiscal pressure, in March 1996 the Cook Islands government announced an immediate temporary 15 percent pay cut across the entire public service, effective immediately.<sup>5</sup> While this evoked some initial concern within the Public Service Association (PSA) the realisation of the true extent of the fiscal crisis helped assuage the PSA's resistance to the reforms.<sup>6</sup> However, within a month of these cuts, the initiation of the ERP proper meant that further cuts were required of the public service.

At one of the initial national retreats held in March to discuss the reform program the PSA had helped draft a document – known as 'Public Service 2000' – in which the PSA agreed that it was in the country's best interests to reduce the size of the public service.<sup>7</sup> However, while the 'Public Service 2000' document set out a timetable whereby public sector reforms were take place, the continued severity of the country's fiscal crisis meant that the government felt unable to comply with this timetable. As discussed above, priority in the ERP was given to the reduction of the public service with the end goal being the creation of a more efficient and effective Public Sector with clearly defined goals and objectives. The 'Public Service 2000' document had argued that this reform should take place over a period of three years – and incorporate a staggered and gradual process of reform. The severity of the country's fiscal crisis, however, meant that these reforms would have to be compressed from three years to one.<sup>8</sup>

When the Cook Islands government approached the PSA with the new compressed time scale they were initially met with stringent resistance. However, once the government explained the full extent of the fiscal crisis to the PSA, the association became more receptive to the need for more drastic restructuring and downsizing measures – although the PSA continued to resist the specific measures that the government was proposing.<sup>9</sup> Thus, while the PSA accepted the need for a more radical program of downsizing and restructuring they continued to oppose the methods that the government suggested for the implementation of this process. Continued negotiation between the PSA and the government, however, led to the brokering of a deal wherein fewer people were made redundant immediately but all public service personnel took a 50 percent cut in pay of the period May and June 1996 trusting that the extra 50 percent would be paid back later in the year when the immediate financial crisis was over.<sup>10</sup>

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<sup>5</sup> Down-sizing of Cabinet was aired as an alternative to the 15 percent pay cut for government employees by senior Cook Island Party officials but nothing ever came of this idea. (CIN 4/3/96: 1)

<sup>6</sup> Interview with Jill Vaiimene, Former President of the Public Service Association, Wednesday 8 December 1999 (Avarua).

<sup>7</sup> Interview with Jill Vaiimene, Former President of the Public Service Association, Wednesday 8 December 1999 (Avarua).

<sup>8</sup> While, as noted above, public consultation had been a defining point of the reform process right from its inception, only a select few really knew the full extent of the fiscal crisis that the country faced. Interview with Navy Epati, Head of the Public Service Commission Thursday 9 December 1999 (Avarua).

<sup>9</sup> Interview with Jill Vaiimene, Former President of the Public Service Association, Wednesday 8 December 1999 (Avarua).

<sup>10</sup> Interview with Jill Vaiimene, Former President of the Public Service Association, Wednesday 8 December 1999 (Avarua). The deferred wages were all paid back in full by December 1996.

One of the most striking aspects of the reform process in Cook Islands was thus the way in which, in general, the PSA supported the objectives and reforms of the ERP throughout the entire course of the reform process.<sup>11</sup> This positive interaction was mutually beneficial in that the support of the PSA enabled the reforms to be implemented more easily and more efficiently while the involvement of the PSA in the reform process meant that the PSA was able to manage the retrenchments in a way so as to soften the impact of the reforms on its members.<sup>12</sup>

## **Legislative Reforms: The Reform Agenda Continues**

A number of key pieces of legislation were also enacted during stage one of the Cook Islands ERP in line with the stated goals of restructuring the country's public finance governance systems, these being the: Public Service Act 1996; Public Expenditure Review Committee and Audit Act 1996 and the Ministry of Finance and Economic Management (MFEM) Act 1996. The passage of these three legislative acts was met with wide public support, both within the business community and within wider Cook Islands society, promising as they did to replace the old corrupt system with one in which responsibility was combined accountability.<sup>13</sup> The CICC, and the private sector in general, were particularly pleased with the new accountability framework that these various Acts promised to create.<sup>14</sup>

This was not to say however that the private sector had unanimously supported the reform program right from its very inception. While the impending bankruptcy of the government had initially acted to galvanise the Private Sector into supporting the proposed reform measures of the ERP, certain elements within the private sector had still nonetheless initially opposed the reform process.<sup>15</sup> (Root 1996: 6) However, when these elements within the private sector realised the extent of the government mismanagement of the economy and the need for the

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<sup>11</sup> Interview with Jill Vaiimene, Former President of the Public Service Association (PSA), Wednesday 8 December 1999 (Avarua).

<sup>12</sup> Interview with Jill Vaiimene, Former President of the Public Service Association, Wednesday 8 December 1999 (Avarua). The subsequent downsizing of the Cook Islands Public Service operated within two clear domains: the retirement of retirees – and those people eligible for early retirement – and the sacking of those people who were surplus to requirements but were not due for early retirement. The restructuring process also saw a number of phantom workers removed from the government's payroll. Those eligible for retirement were paid their normal retirement entitlements which averaged about NZ\$3 500 each, while those who were not eligible for retirement were processed through the office of the Transition Service in an attempt to re-skill them so that they could efficiently transfer from the Public to the Private Sector.

<sup>13</sup> Interviews with Brett Porter, Former President of the Cook Islands Chamber of Commerce, Thursday 9 December 1999 (Avarua) and Vaine Wichman, Consultant, Thursday 9 December 1999 (Avarua).

<sup>14</sup> Interview with Brett Porter, Former President of the Cook Islands Chamber of Commerce, Thursday 9 December 1999 (Avarua).

<sup>15</sup> Those in the public sector who initially opposed the reform process were those individuals who had been most heavily dependent upon the old pre-ERP system of political patronage. Interview with Brett Porter, Former President of the Cook Islands Chamber of Commerce, Thursday 9 December 1999 (Avarua).

enactment for reforms even these individuals lent their support to the reform program.

The final aspect of the first phase of the reform program was the actual restructuring of the country's public accounting practices, as one of the key reasons behind the emergence of the 1996 fiscal crisis was the shadowy accounting practices that had allowed the Cook Islands government to consistently overspend without any semblance of accountability. Over the period of a year from 1995 to 1996 the Public Service were thus introduced to a new, output-based budgeting system, moving away from a cash accounting system and towards an accrual system similar to that used in New Zealand. The introduction of this new system was thus intertwined in the first phase of the reform process with both the passage of the three key legislative acts enacted during 1996 and the accompanying restructuring of the Public Service. Throughout this first stage of the reform process broad public support of the reform process continued to be apparent.<sup>16</sup>

## **The Second Phase of Reforms**

With phase one of the reform process well under way, in September 1996, the Cook Islands government released a five point economic strategy outlining the objectives of the second phase of the ERP. These objectives were: continued public sector reform; the strengthening of the country's financial and economic management; the stimulation of private sector-led growth; the reforming of the country's lead sectors (Agriculture, Marine Resources and Tourism); and the achievement of sustainability and equity in the reform process.

One of the first goals of the second phase of the ERP program was the reform of the country's tax environment. In achieving this, the country's tax regime was reduced from over three hundred tiers to three, and a number of amendments were made to the Income Tax and Turnover Tax Acts in 1997 in order to both broaden the tax base and reduce the complexity of the country's tax environment. This bundle of reforms thus acted to create both a conducive atmosphere for private investment as well as helping to strengthen the country's economic management systems. The reduction in the complexity of the tax system was publicly supported by the CICC who felt that the older tax system had been particularly repressive – while the new system, combined with the effects of the other reforms, provided a good, solid structure for new investment.<sup>17</sup>

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<sup>16</sup> Interviews with Brett Porter, Former President of the Cook Islands Chamber of Commerce, Thursday 9 December 1999 (Avarua) and Vaine Wichman, Consultant, Thursday 9 December 1999 (Avarua). It should be noted that this support of the reform process itself was sometimes distanced from the role of government, with calls emerging in mid-1996 for the government to stand down. In a show of government support, however, a large number of the country's churches rallied to the government's aid when these calls for the Prime Minister and Cabinet to step down began. Organising prayer meetings, and paying for radio and newspaper advertisements various churches, particularly the Apostolic church, reminded people that they had received help from the government and now it was time for them to help the government.

<sup>17</sup> Interview with Brett Porter, Former President of the Cook Islands Chamber of Commerce, Thursday 9 December 1999 (Avarua).

Another reform objective pursued in the second phase of the reform process of particular interest to the private sector was the promotion of certain sectors of the local economy – these being agriculture, marine aqua-culture and tourism. Support for these sectors was further buoyed when the government passed the Development Investment Act in late 1996. Designed to facilitate increased foreign private sector investment the act also allowed for the creation of the Development Investment Bank in order to help foreign investors to manoeuvre through government regulations in a clear and transparent manner and thereby increase investor confidence. The DIB possessed a small but growing body of support in the local population behind its operation.<sup>18</sup> Additionally, a number of incentives were offered to businesses wishing to invest in the Cook Islands, including exemptions on customs duties and import levies for all equipment needed to establish or expand a capital venture and a complete 100% depreciation write-off in the first year of business operation – reforms again which occasioned much public support from the members of the private sector and their representative body, the CICC.<sup>19</sup>

## **Continued Community Involvement**

Throughout the second phase of the ERP the wider Cook Islands community continued their active involvement in the planning and implementation of the reform process. As noted previously this consultative and consensual process was aided by the running of national retreats where representatives from all aspects of Cook Islands society came together to discuss the reform process. In addition, public seminars were held on a weekly basis in 1997 by the team of international consultants attached to MFEM for the ERP. (CIN 23/3/1997: 3) Exploring issues such as business and capital development the seminars were conducted to raise public involvement in the reform process, to raise public awareness of developmental issues and to help facilitate private sector development. This broad consultative process was further strengthened in late 1996 by the establishment of the National Development Council (NDC). Comprising eleven community members representing the private business sector, non-government organisations and churches, the creation of the NDC was a key mechanism in the facilitation of consultation of the reform process at the national level.<sup>20</sup> Created to review government legislation and national budgets to make sure that they were in line with the spirit of the reform process the NDC institutionalised the consultative relationship that had characterised the Cook Islands reform experience. Throughout the remainder of the ERP the NDC played a vocal part in the reform process, mediating government expenditure and scrutinising government legislation.<sup>21</sup>

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<sup>18</sup> Interview with Vaine Wichman, Consultant, Thursday 9 December 1999 (Avarua). Although some felt that while the intentions of the DIB were good, it has not in itself led to better relationships between domestic and foreign capital.

<sup>19</sup> Interview with Brett Porter, Former President of the Cook Islands Chamber of Commerce, Thursday 9 December 1999 (Avarua).

<sup>20</sup> Comprising representatives from the churches, NGOs, the private sector, youth, women and traditional leaders the NDC met to consider issues and relevant legislation as well as annual budget appropriations to the various ministries.

<sup>21</sup> The submission of a report to government in 1997 recommending a reduction in the size of the projected 1998 national budget provides a salient example of the active role that the NDC played in the reform process. In the report the NDC insisted that increases should only be allowed in two out of the thirty-four items

The Cook Island Chamber of Commerce (CICC), discussed above, also continued throughout the reform process to play a key role in both facilitating and mediating the progress of the reform program, with the CICC playing a vital role in facilitating informal discussions between the private and the public sector. As noted above, whilst the CICC had been initially hesitant at the onset of the reform process it later came to publicly support the reform process with the passage of certain key pieces of legislation and other non-legislative reforms designed to streamline the investment climate, such as the passage of the Development Investment Act in 1996 persuading the CICC of the veracity of the reform process.<sup>22</sup> However, despite all this there was one issue upon which no consensus could not be reached between the Cook Islands state and the wider Cook Islands community. That issue was political reform. While the government was, due to economic necessity, committed to the economic objectives of the ERP, it was less inclined to support reform of the political environment. And, while ten assistant ministerial positions had been eliminated in the initial period of reform from March to September 1996, this action constituted the sum total of the political reform undertaken during the ERP (excluding the process of devolution). (ADB 1999: 29)

### **The Question of Political Reform**

In early 1997 the government of the Cook Islands funded a national retreat, comprising members of various societal groups to review the progress of the ERP. While a general consensus was reached that progress on the ERP, to that point in time, had been good, one particular issue was targeted for increased focus, that being the need for political reform to accompany the economic reform program. (MFEM 1997) Operating under a Westminster-style system of parliamentary government, the Cook Islands' parliament consisted at that point of 25 members, and elections were held every five years. Concerns, however, had long been raised that 25 MPs was more than a country of less than twenty thousand needed, or could sustain.<sup>23</sup> While consistent support was maintained for the reform process in general there had always been a desire that the reform process should include the reform of Parliament and the political system in general. In fact, the private sector attempted throughout 1997 to introduce a paper to Cabinet entitled 'Streamlining Government'. The paper questioned, amongst other things, a possible reduction in both the number of, and the emoluments available,

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on the Budget – fiscal audits and Outer Island development – and that more Cook Islands government functions needed to be privatised in order to further remedy continuing imbalances between government revenue and expenditure. In a similar vein in 1998, with Crown revenues for the 1998/1999 budget being budgeted at NZ\$39.1 million and Crown Expenditure being budgeted at NZ\$42.9 million, the NDC sent the budget back to Parliament claiming that it was fiscally irresponsible. (CIN 26/6/1998: 1) Unfortunately the NDC has not maintained such an active a role in Cook Islands social and political life in the wake of the reform process.

<sup>22</sup> Interview with Brett Porter, Former President of the Cook Islands Chamber of Commerce, Thursday 9 December 1999 (Avarua).

<sup>23</sup> The number of Parliamentary electorates was reduced in 2003 from 25 to 24 with the abolition of the overseas electorate seat. Despite this, the size of the parliament per capita is disproportionately large when considered from a global or even regional viewpoint.

for Ministers, and called for the reduction of the number of ministries to 10, the number of Ministers from 9 to 6 and the reduction of the total number of Members of Parliament from 24 to 17. In November 1997 in support of these ideals, the NDC began to publicly argue for the establishment of a 'Political Reform Commission' in order to canvass public opinion on the topic of political reform. (CIN 28/11/1997: 1)

The growing unrest at the lack of movement of the political reform front meant that in the middle of 1998 the country's daily newspaper, the Cook Island News, ran a series of articles where various models of political reform were proposed by members of the public. In the wake of these articles, wide public support for greater political reform became increasingly vocal, with traditional leaders adding their voices to the calls for such reform to be undertaken. (CIN 20/8/1998: 1) Support for the need for greater political reform at higher levels thus increased as the program of economic reform continued. As the new economic reality of the post-reform environment began to emerge in the wake of massive redundancies in the public service, the political superstructure, however, continued to remain untouched. Politicians' allowances had remained intact throughout the reform process, except for the temporary 15 percent pay cut in early 1996. This lack of action, combined with growing unrest led eventually to the establishment, at the behest of the Cook Islands Parliament, of a commission in August 1998 to examine the effectiveness and appropriateness of the current political system. Delivering their report in November that year, the Commission offered a number of recommendations for political reform. The major reforms proposed included a reduction in both the length of term, and levels of remuneration available to Members of Parliament as well as a reduction in the total number of seats available in Parliament. (Commission of Political Review 1998) However, almost as soon as it was released this report came under vociferous attack in Parliament with Parliament strongly rejected the report's findings and declared votes of no confidence in two of the report's authors. (CIN 4/12/1998: 1) The public reason given for the refusal of the report by Parliament was that too little consultation had occurred in its creation. (CIN 24/12/1998: 1) As, however, the commission had held extensive and wide-ranging processes of public consultation throughout the drafting of the report, self-interest appeared to have been the real reason for the lack of political support for the recommendations of the report. The issue of political reform was thus the one key point that consensus was not able to be reached in the reform process.

One area of the ERP, however, that did have an impact on the country's political structures was the issue of devolution. Devolution was seen as important to the success of the reform program as the devolution of decision-making responsibilities to the local level was seen as an effective method to ensure community participation and ownership of reform outcomes as well as to eliminate the dependency mentality that had been built up in the Cook Islands amongst the general populace. (ADB 1997: 3) However, while this reform did restructure the country's political governance structures somewhat, the changes that it brought about were nothing more than superficial, with the country's true powerbroker – Parliament – still left untouched by the reform process.

## **Participation and Development in the Cook Islands: Analysing the Evidence**

It could be argued that one of the reasons behind the reform programs success was the limited scope of the reforms themselves. In general the reforms, or at

least the most successful reforms (excluding the restructuring of the civil service), were mainly concerned with restructuring the country's public finance systems – they did not, for example, have any real effect on the country's major political structures (excluding of course the program of Outer Island devolution). Yet this should not in any way diminish the magnitude of what occurred. Structural Adjustment is always difficult – and the loss of over 50 percent of the country's public service positions is proof enough of the dramatic impact that the ADB ERP had on the Cook Islands.

Another key factor that must be explored in examining the reasons behind the ERP's success was the small absolute size of the Cook Islands (approximately 16 000 people during the reform period) – enabling as it did a degree of trust to be fostered within both the private sector in particular, and between the other various constituents of Cook Islands society that is generally lacking in larger countries and so must be identified as a key aspect behind the success of the reform process and the high degree of national consensus that led to this success. However, while this factor may have played a factor in the success of this process in the Cook Islands, it does not mean that the general processes discussed below can not be successfully applied to larger countries.

Additionally the ability of Cook Islanders to freely enter and exit New Zealand must also be given some credit for the success of the ERP. The fact that all Cook Islanders are automatically also New Zealand citizens acts as a safety valve for economic shocks due to the ability of Cook Islanders to freely move between the two countries. The dramatic reduction in the size of the civil service thus led to an exodus of these former civil servants and their families to Australia and New Zealand. The reduction in the absolute number of people for whom social services had to be provided for in the wake of this exodus in the short term thus considerably reduced the fiscal pressure placed upon the government. The positive rise in GDP/Capita that the country experienced in the wake of the reform process thus loses some of its luster when one compares it to changes in population levels over the same period. And, while in the short-term the dramatic population loss associated with the down-sizing of the civil service has had a positive impact on the success of the country's program of reform, the long term social and economic impact of the loss of over 2 000 people in a country with a population of less than 20 000 is bound to be considerable. This problem of population loss is evidence of a general problem with structural adjustment policies. Whilst they nominally exist to resolve long-term structural inadequacies present within a system (as opposed to the short-term objectives of fiscal stabilisation efforts) the long-term problems of the policies do not appear to be factored in – ie the dramatic population losses which occurred as a result of the Cook Islands program of reform.

However, the key reason behind the success of the Cook Islands ERP I would argue can be traced back to the three inter-related factors identified at the beginning of the article: participation, consensus and cooperation. While the reform process was driven by economic need, not by political will, a wide consensus existed throughout broader Cook Islands society of the need for the reform process. This consensus emerged, I argue, in large part due to the highly participatory nature of the reform process. This consensus, when combined with the public backing of the reform program by organisations such as the PSA and the CIIC, then acted to greatly reduce the risk normally associated with structural adjustment programs, thereby allowing the Cook Islands government a mandate for reform not generally seen in the face of such far-reaching programs of reform. This then is the key lesson to be derived from the Cook Islands experience –



successful developmental reform can be helped along through the use of a high degree of participation in the creation and implementation of a program of reform, as participation helps bring about consensus which in turn promotes cooperation in the reform process. Combined, all three factors help create a virtuous circle which acts to positively reinforce the ongoing planning and implementation of a reform program.

As this paper has shown, meaningful public participation in the Cook Islands reform process went beyond just consultation at the initiation and implementation stages. Continuing throughout the development and operation of the very reform program itself, this ongoing process of participation enabled a high degree of ownership of the reforms to be maintained throughout the entirety of the reform process. This alone played an important role in the success of the reforms providing as it provided a high degree of legitimation to the reform process. In addition, however, the continued cycle of consultation also meant that the reform process was able to be adapted to the changing social and political environment of the Cook Islands thereby further increasing its chance for success. The best example of this process in action was probably the PSA mediated change to the public sector reform process in order to manage the retrenchments so as to soften the impact of the reforms on its members. The PSA was then able to help facilitate the efficient and orderly implementation of the required reforms.

Where the Cook Islands experience differed, and where the most valuable lesson can be learned, is in respect to the way in which the iterative participatory consultation process continued throughout the duration of the reform process. By continually engaging with Cook Islands society throughout the unfolding of the reform process the iterative consultation process thus created a form of positive feedback loop which enabled the reform program to keep abreast of the changes wrought to the social and political environment in the Cook Islands by earlier parts of the reform process, while simultaneously maintaining its legitimacy.

## **Conclusion**

The Cook Island ERP officially came to an end in late 1998. The reform program itself was generally seen by all as a success, with the ADB stating as much in their Project Evaluation Report.<sup>24</sup> (ADB 1998: 14) And so, despite weathering a severe financial crisis, and undergoing an often austere period of structural adjustment, the Cook Islands had managed to emerge possessing both a healthier macro-economic environment and a more transparent and accountable system of governance. This healthy macro-economic environment has continued on into the present day. (ADB 2003: 2-3)

As this paper has shown, participation, long seen as a 'magic-bullet' for the creation of successful development planning and implementation at the local level can thus be usefully applied at the national level. In this respect the World Bank's recent move to involve more participatory approaches at a national level is to be applauded. Yet the World Bank, when talking about an iterative participatory process of consultation in its new development policy lending framework, really only sees participation at the national level as occurring during the drafting and creation of a general framework for development and reform. However, this paper suggests that, if development and reform is to proceed in its most robust and

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<sup>24</sup> See also ADB 2002: vi.

sustainable form, then participation should be seen as a factor to be included at not only the planning stage but throughout the entire implementation stage of programs of reform and development.

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